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SUBJECT: DEPUTY SECRETARY LEW AND PRIME MINISTER MELES
DISCUSS U.S. ASSISTANCE TO ETHIOPIA

¶1. (SBU) Summary. Prime Minister Meles told visiting Deputy Secretary Lew on June 29 that he was grateful for U.S. assistance to Ethiopia, and they both agreed that shifting from emergency food aid to sustainable agriculture development should be a priority for Ethiopia. Meles was comfortable with U.S. provision of humanitarian aid to Ethiopia, but worried that development aid might be tied to human rights and democracy conditions. Meles made a case for direct U.S. assistance to Ethiopia, rather than going through NGOs who, he said, ate up part of the aid in administration costs. However, Meles was concerned that a shift away from emergency aid would expose the support to political conditions from the U.S. Congress that were "unhelpful," and based on "wrong" ideas. Deputy Secretary Lew assured Meles that Ethiopia remained a strategic partner of the U.S., but he noted that Washington had concerns about the direction of political space for the opposition and increasing restrictions on NGOs. He urged Meles to ease the restrictions and release imprisoned opposition leader Birtukan Mideksa, so that the 2010 elections would be a success. End Summary.

Sustainable Agriculture Development Needed for Ethiopia

¶2. (SBU) Deputy Secretary Lew opened by explaining to the Prime Minister that the United States was looking at reforming the way it provided foreign assistance, and he said one of the U.S. goals for Ethiopia was to move from emergency food assistance to sustainable agriculture development. Meles agreed that there was a need for agriculture development in Ethiopia where 85 percent of the population were small scale farmers. He went on to note that this kind of development required more investment than the Ethiopian government could afford, and he asserted that the donor community had failed to live up to its commitments in Ethiopia. He said the donor community had agreed to provide 40 percent of Ethiopia's needs, while his government had agreed to provide the remaining 60 percent (Note: We are unaware of such an agreement. End Note.). He insisted that Ethiopia had kept its side of the bargain, but the donors had not. He complained that the donors were too erratic, and that there was "room for improvement."

Room for Expansion in the Health Arena

¶3. (SBU) Deputy Secretary Lew said improving health care in Ethiopia was another U.S. priority. Meles responded that he was grateful for the assistance the U.S. provided, particularly under PEPFAR, and he said the Ethiopian

government had good coverage of the rural areas, but not in the urban areas. Meles thought that PEPFAR aid could be more useful if it included programs to develop the pharmaceutical industry in Ethiopia to allow the manufacture of generic medicines.

Meles: The U.S. Should Provide Direct Assistance...

14. (SBU) Meles stated that the provision of direct assistance to the Ethiopian government would be more efficient than using NGOs who ate up a large proportion of the support with administration costs. He noted that the United States was the only donor country that Ethiopia "allowed" to use NGOs, and he upheld the British practice of providing direct budget support as a model Washington should follow. Meles said there were "thousands" of NGOs in Ethiopia, and that this produced overlap and unnecessary "reinventing of the wheel." Deputy Secretary Lew responded that while direct support had some advantages, the U.S. would continue to balance its assistance between the Ethiopian government and NGOs, particularly when the government lacked capacity to absorb direct funding.

...Without Conditions

15. (SBU) The Prime Minister again acknowledged the need to move from emergency assistance to sustainable development, but he cautioned that the move had "certain risks," as he believed that moving to the latter exposed aid to the

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imposition of political conditions by the U.S. Congress. As an example, Meles referred to H.R. 1125 Omnibus Appropriations Act, 2009 which required congressional notification for the provision of military assistance to Ethiopia, Zimbabwe, and Sudan, among others. Meles misinterpreted the act to be a prohibition of all military assistance beyond current programs to Ethiopia. Meles complained that U.S. support in recent years had been prone to "surprises" for Ethiopia, including H.R. 1125, a condition he wanted to avoid in the future. Meles also complained that listing Ethiopia together with Sudan and Zimbabwe was unfair to Ethiopia. Deputy Secretary Lew and Ambassador Yamamoto reminded Meles that the legislation merely required congressional notification on assistance to Ethiopia, a common practice in Washington, and that it did not prohibit any type of aid.

Meles: "Birtukan Will Stay in Prison"

16. (SBU) On the domestic political front, Deputy Secretary Lew assured Meles that Ethiopia remained a vital strategic partner of the United States, and did not equate Ethiopia with Zimbabwe and Sudan, but he emphasized that as partners, Washington had concerns about the direction of the domestic political environment within Ethiopia. Specifically, the Deputy Secretary said with the 2010 elections rapidly approaching, Washington wanted to see the political space expanded, and see opposition leader Birtukan Mideksa released from prison. Meles chose not to discuss the issue of closing of political space, but provided an extended explanation of why Birtukan would now serve out her life sentence. Meles said Birtukan had been playing "political games," and had violated the terms of her pardon. Therefore, he insisted that she would remain in prison, and that this was an issue where Washington and the U.S. congress was "wrong." Deputy Secretary Lew pushed back and again urged Meles to reconsider this issue.

17. (U) Deputy Secretary Lew cleared this cable.
YAMAMOTO